

CORRECTED FISCAL NOTE

HB 2771 - SB 2949

May 8, 2000

SUMMARY OF BILL: Creates the Tennessee Strategic Planning Act of 2000 and the Tennessee Performance Based Budgeting Act of 2000 as follows:

Tennessee Strategic Planning Act of 2000.

1. Requires the commissioner of finance & administration to prepare a statewide strategic plan.
2. Requires state agencies to designate a planning officer who will be responsible for coordinating agency strategic plans and activities with the commissioner. In preparing such plans, each agency will be required to hold public hearings and to accept public comment for a 21-day period. Completed statewide and agency strategic plans are to be submitted to the speakers of each house of the general assembly at least 30 days prior to the start of the next regular session.
3. Provides that by December 1 of each year, state agencies must submit annual performance reports to the commissioner of finance and administration, the speakers of each house, for consideration by the finance committees and other appropriate standing committees; and to the comptroller, the fiscal review committee, and the office of legislative budget analysis.
4. Requires each state agency to include a one-page summary of all moneys that were expended or encumbered by the agency, for which the agency was otherwise responsible during the preceding fiscal year and an estimate of such moneys projected by the agency for the current fiscal year.

Tennessee Performance Based Budgeting Act of 2000

1. Requires prior to October 1, 2000 and October 1 each year thereafter, each state agency shall identify and submit to the commissioner of finance and administration a list of proposed state agency programs and performance measures. Lists specific documentation to accompany the list of proposed programs and measures submitted by the state agency. Such documentation will be developed by state agencies in consultation with the comptroller.
2. Grants the general assembly final approval of all programs, performance measures, and standards through the general appropriations act. On an annual basis no later than 45 days after the general appropriations act becomes law, state agencies may submit to the commissioner of finance and administration any adjustments to their performance standards based on the amount appropriated for each program by the general assembly.
3. Requires that the commissioner of finance and administration, after having met with and approved input from the fiscal review committee, shall develop performance-based program budget request instructions from which each agency shall prepare its performance-based program request budget, which shall be submitted to the commissioner of finance and administration in accordance with TCA 9-4-5004.
4. Requires the performance-based program budget instructions to be transmitted to each agency no later than September 1 of each year and provides instructions to be included.
5. Requires the governor, in addition to the items to be set forth in the budget document pursuant to TCA 9-4-5101, to provide to the general assembly a performance-based program budget for programs administered by each agency.
6. Requires the commissioner of finance and administration, in consultation with the fiscal review committee and the comptroller of the treasury, to develop instructions as

to the calculation of the unit cost information and the format and presentation of the summary required under TCA 13-5-110(g).

7. Authorizes the commissioner of finance and administration to include a recommendation regarding incentives or disincentives for agency performance and describes such incentives/disincentives
8. Requires the comptroller of the treasury on an annual basis to audit the information used or created by a state agency to prepare the annual performance report required.

ESTIMATED FISCAL IMPACT:

On February 11, 2000 we issued a fiscal note on this bill which indicated that:

The impact of this bill is an increase in state expenditures of \$4,057,560 recurring and \$597,400 one-time and other fiscal impact that stated use of performance based budgeting with incentives may result in decreased state expenditures; however, the amount of any such decrease cannot be determined.

Based upon additional information provided to us by the Department of Finance and Administration, the estimated fiscal impact of this bill is:

**Increase State Expenditures - \$4,057,560 Recurring
\$2,396,400 One-Time**

Other Fiscal Impact - Use of performance based budgeting with incentives may result in decreased state expenditures; however, the amount of any such decrease cannot be determined.

Estimate assumes the following:

- Approximately 103 new positions will be created to implement the provisions of this act; 93 in Executive Branch departments, and 10 in the Comptroller's Office
- The average recurring costs for each Executive Branch department employee is approximately \$38,920 allocated as follows: Salary and Benefits \$36,600; Rent \$1,300; Telephone and Computer Node \$720, and Supplies \$300
- The average recurring costs for Comptroller's Office employees is approximately \$43,800 allocated as follows: Salary and Benefits \$41,480; Rent \$1,300; Telephone and Computer Node \$720, and Supplies \$300
- The average one-time cost per employee is \$5,800 allocated as follows: Office Furniture and Setup \$2,500; Computer \$3,000, and Telephone Set \$300.
- A one-time increase in state expenditures of approximately \$1,799,000 to develop a performance based budgeting computer system to replace the budgeting system currently in use.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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